

## Message Text

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46

ACTION NEA-10

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CIEP-01 COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-01

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USIA-06 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07

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E.O. 11652: N/A

TAGS: PFOR IR GW

SUBJ: SHAH'S INTERVIEW IN DER SPIEGEL

1. SUMMARY: FOUR-WEEK OLD DER SPIEGEL INTERVIEW WITH SHAH APPEARED DECEMBER 8 IN ALL LOCAL PAPERS AND RECEIVED PROMINENT TREATMENT IN EDITORIALS. INTERVIEW COVERED NUMBER OF ECONOMIC ISSUES, INCLUDING GOI REASONS FOR DESIRING INCREASE IN PRICE OF OIL, NEW TWIST INCLUDING BILATERAL INDEXATION, AND GOI EXPECTATIONS REGARDING ACQUISITION OF PORTION OF KRUPP FIRM. SHAH ALSO RESPONDED TO QUESTIONS ON GOI ARMS PURCHASES AND REFERRED TO RESURGENCE PARTY PHILOSOPHY. END SUMMARY.

2. INCREASE IN PRICE OF OIL: ASSERTING THAT "WE FROZE OIL PRICES" LAST TIME (AT BALI, MARCH 1976) TO GIVE THE WORLD AN OPPORTUNITY TO BRING INFLATION UNDER CONTROL, THE SHAH ASSERTED THAT SINCE THEN IRAN HAS LOST 40 PERCENT OF ITS PURCHASING POWER. HE DENIED IRAN FAVORS "A LARGE INCREASE IN THE PRICE OF OIL," AND IS NOT INSISTING ON A 25 PERCENT PRICE INCREASE. HE THOUGHT A 15 PERCENT INCREASE WOULD BE "LOGICAL" AND, LATER IN THE INTERVIEW, SAID THIS FIGURE "IS THE LOWEST PRICE RISE POSSIBLE." HE EMPHATICALLY DENIED ACCURACY OF A SURVEY BY THE PETROLEUM RESEARCH INSTITUTE OF NEW YORK THAT COST OF INDUSTRIAL GOODS TO IRAN HAS INCREASED ONLY 2.7 PERCENT BETWEEN LATE 1975

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AND LATE 1976, ZING THAT SUCH A FIGURE IS "RIDICULOUS."

SOME ITEMS THAT IRAN PURCHASES FROM THE U.S., HE SAID, HAVE INCREASED FOURFOLD IN PRICE. HE DENIED INTERVIEWER'S SUGGESTION THAT OPEC PRICE HIKES THREATEN A MAJOR ECONOMIC CRISIS IN THE WEST; "THE THREAT TO WESTERN CIVILIZATION," SAID THE SHAH, "COMES FROM....A SOCIETY SUBJECT TO NO CONTROL."

3. INDEXATION: SHAH RESPONDED TO INTERVIEWER'S OBSERVATION THAT LINKING THE PRICE OF OIL (WHICH INTERVIEWER TERMED "THE PRICE OF BREAD IN THE INDUSTRIALIZED WEST") TO THE PRICES OF HUNDREDS OF INDUSTRIAL PRODUCTS WHICH IRAN IMPORTS IS NOT FEASIBLE, BY SAYING THAT HE IS PREPARED TO ACCEPT A LINKAGE IN THE PRICE OF OIL EXPORTED TO WEST GERMANY WITH PRICE INDICES OF MANUFACTURED PRODUCTS IN THE FRG. SEVENTY-FIVE PERCENT OF THE COST OF OIL DELIVERED TO THE FRG WOULD BE BASED ON SUCH AN INDEXATION AND BALANCE COULD BE SETTLED "IN INTERNATIONAL CURRENCIES." HE DECLINED TO ENUMERATE NUMBER OF PRODUCTS IMPORTED FROM WEST GERMANY WHICH WOULD BE COVERED BY SUCH AN INDEXATION SCHEME, BUT SAID A DISCUSSION BETWEEN THE TWO COUNTRIES ON THE SUBJECT IS CERTAINLY POSSIBLE. HE THOUGHT FRANCE AND ITALY WOULD ALSO BE SUITABLE FOR HIS INDEXATION SCHEME.

4. ACQUISITION OF EQUITY IN KRUPP: STATING THAT HE DID NOT THINK KRUPP'S RECENT FINANCIAL REVERSES WOULD CONTINUE, THE SHAH SAID IRAN'S PRIMARY PURPOSE IN ACQUIRING 25 PERCENT IN KRUPP WAS TO GAIN ACCESS TO ITS TECHNOLOGY. HE DID NOT THINK A SIMPLE LICENSING AGREEMENT WITH KRUPP WOULD HAVE BEEN SUFFICIENT FOR IRAN'S PURPOSES. IRAN, HE SAID, CONTINUES TO BE INTERESTED IN "SIMILAR" EQUITY PARTICIPATIONS IN OTHER COUNTRIES AND CITED BRAZIL IN THIS CONNECTION.

5. IN RESPONSE TO A QUESTION RE IRAN'S ARMS PURCHASES, SHAH STATED THAT IF THE WEST DECIDES TOMORROW TO ACCEPT RESPONSIBILITY FOR THE REGION, "I WILL STOP BUYING ARMS." ARMS PURCHASES ARE REQUIRED BECAUSE OF IRAN'S EXTENSIVE BORDER. "WE ARE OBLIGED TO TAKE CARE OF OUR FRONTIERS, ESPECIALLY THE PERSIAN GULF AND THE INDIAN OCEAN TO ENSURE THE SAFE SHIPPING OF OIL TO VARIOUS PARTS OF THE WORLD," HE SAID.

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6. COMMENTING ON THE FUTURE OF IRAN, THE SHAH ASKED IF INTERVIEWER WAS FAMILIAR WITH PURPOSE OF THE COUNTRY'S SINGLE ("RESURGENCE") PARTY SAYING: "ALL SHOULD PARTICIPATE IN ALL AFFAIRS OF THE COUNTRY. ...THIS PARTY COVERS ALL. PEOPLE ELECT THEIR OWN REPRESENTATIVES. IN THE PARTY ALL THE MEMBERS DISCUSS THE COUNTRY'S POLITICAL AND ECONOMIC AFFAIRS, WORKERS HAVE NOW BECOME SHAREHOLDERS IN THEIR

RESPECTIVE FACTORIES."

7. COMMENT: THIS DIALOGUE IS ONE IN A SERIES OF RECENT PRESS PRONOUNCEMENTS BY SHAH. MAJOR NEW PROPOSAL (WHICH APPEARED IN DER SPIEGEL ABOUT FOUR WEEKS AGO) IS BILATERAL SCHEME WITH VARIOUS EUROPEAN COUNTRIES. OF SPECIAL INTEREST IS SHAH'S REFERENCE TO RESURGENCE PARTY ACTIVITIES, AN INDICATION OF THE HIGH PRIORITY WHICH HE CURRENTLY PLACES ON THE PARTY AND ITS POTENTIAL IMPORTANCE TO ALL IRANIANS.  
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